September 20, 1999

Tax Profligacy No Substitute for Fiscal Responsibility

President Clinton is always willing to lend a hand when it comes to increasing spending. It should come as no surprise then that the man who proposed $100 billion in net new taxes in his budget for next year would offer a tax increase as his "fix" for solving the current strictures imposed by the budget act's spending caps and Congress's desire to protect the Social Security surplus. All we need do is raise taxes on cigarettes by an extra 55-cents-a-pack and presto — problem's solved.

While most liberals never did support the budget act, being honest enough to admit even then that their hunger for spending would be too great, President Clinton himself did agree to the budget deal that imposes the current fiscal constraints on federal spending. Conservatives should be quick to see the transparency of this proposal, that it's simply this president's latest end-run for more spending. And it won't fix the real problem.

- The proposed tax won't even pay for Clinton's proposed spending increases in FY 2000. While it is estimated to result in new revenues of $34 billion, that amount is spread over five years. Only $8 billion of it would come in the first year — not enough to offset Clinton's proposed spending increases for this coming fiscal year, which are $16 billion above the caps according to OMB, and $26 billion above, according to CBO. Yet, the increased tobacco tax will continue to raise revenues in perpetuity — well beyond the current emergency scenario. OMB estimates this revenue stream (in billions) for Clinton's new tax:

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
$8	$7.1	$6.6	$6.4	$6.4	$6.4	$6.4	$6.3	$6.3	$6.3	$66.2 billion

- Even if Congress chose to take this route, it would not be permissible under the current budget rules: Discretionary spending is capped — period. Increasing taxes does nothing to restrain spending. To the contrary, it serves as an impetus for additional spending — which is, of course, exactly Clinton's goal.

- States are affected by a federal tobacco tax increase. If the tax reduces consumption, as the Clinton Administration claims it would, states will lose revenue from state tobacco taxes. In addition, under the Master Settlement Agreement (Section 10) reached last year between the tobacco companies and 46 states' attorneys general, the tobacco companies' payments to the states will be reduced by an amount equal to any federal money which is earmarked to the states or is given to them for "health care" efforts.

President Clinton's tax hike proposal does nothing to change a very basic fact: Raising taxes with reckless abandon is no substitute for fiscal responsibility.

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